

AR20



Simpsons, Limited Annual Report

1972

Simpsons, Limited

directors

WILLIAM D. ALLPORT

JACK C. BARROW

THOMAS J. BELL, M.C.

JAMES S. BRYANT

EDGAR G. BURTON

G. ALLAN BURTON, D.S.O., E.D.

ROBERT C. GIBSON

CHARLES L. GUNDY, LL.D.

JOHN C. PORTER

ALFRED POWIS

WILLIAM P. SCOTT, LL.D.

CHARLES B. STEWART

JAMES M. TORY, Q.C.

WILLIAM P. WILDER

officers

G. ALLAN BURTON, D.S.O., E.D.
*Chairman of the Board and
Chief Executive Officer*

CHARLES B. STEWART
President

WILLIAM P. SCOTT, LL.D.
Vice-President

ROBERT C. GIBSON
*Executive Vice-President,
Administration*

WILLIAM D. ALLPORT
Vice-President and Comptroller

JAMES S. BRYANT
Vice-President, Montreal Area

EDGAR G. BURTON
Vice-President, Toronto Area

RONALD J. CRICHTON
*Vice-President, Customer
Service Operations*

KENNETH W. KERNAGHAN, Q.C.
Vice-President and Secretary

OLIVER B. MABEE
*Vice-President, Personnel and
Public Relations*

ELMER L. ROUNDING
*Vice-President, Planning and
Development*

DOUGLAS R. STEELE
Vice-President, Merchandising

A. ERNEST WILKES
Vice-President and Treasurer

IAN M. GIBSON
Assistant Treasurer

RONALD L. RADLEY
Assistant Secretary

head office

THE SIMPSON TOWER
401 Bay Street, Toronto, Ontario
M5H 3K2

transfer agents

NATIONAL TRUST COMPANY,
LIMITED
Toronto and Montreal

CANADA PERMANENT TRUST
COMPANY
Halifax, Winnipeg and Calgary

THE CANADA TRUST COMPANY
Vancouver

registrars

THE ROYAL TRUST COMPANY
Toronto and Montreal

CANADA PERMANENT TRUST
COMPANY
Halifax, Winnipeg and Calgary

THE CANADA TRUST COMPANY
Vancouver

HEAD OFFICE

THE SIMPSON TOWER
401 Bay Street, Toronto 210, Ontario

DEPARTMENT STORES

TORONTO AREA

Downtown
Yorkdale
Fairview
Cedarbrae
Sherway
Brampton

MONTREAL AREA

Downtown
Fairview-Pointe Claire
Les Galeries d'Anjou

REGINA

Downtown

HALIFAX

Chebucto Road

LONDON

Downtown

OTTAWA

Downtown

REGISTRARS

THE ROYAL TRUST COMPANY
Toronto and Montreal

CANADA PERMANENT TRUST COMPANY
Halifax, Winnipeg and Calgary

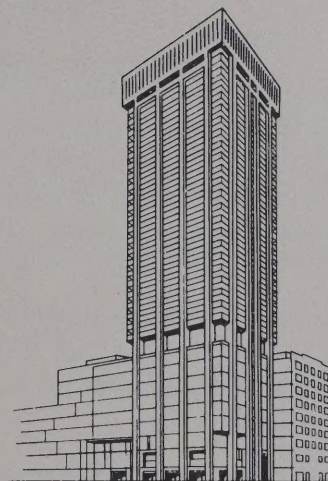
THE CANADA TRUST COMPANY
Vancouver

TRANSFER AGENTS

NATIONAL TRUST COMPANY, LIMITED
Toronto and Montreal

CANADA PERMANENT TRUST COMPANY
Halifax, Winnipeg and Calgary

THE CANADA TRUST COMPANY
Vancouver



INTERIM

REPORT TO SHAREHOLDERS

FOR SIX MONTHS ENDED JULY 5, 1972

SIMPSONS, LIMITED

THE SIMPSON TOWER
TORONTO 210, CANADA

INTERIM CONSOLIDATED S

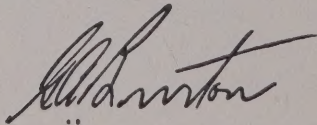
TO THE SHAREHOLDERS:

In the first six months of our Centennial Year Simpsons retail store sales increased 18.4 per cent over the same period last year. Total sales including the Contract Division exceeded \$164,500,000, an increase of 15.8 per cent.

Excluding an extraordinary gain of \$1,400,000 on sale of an investment, earnings in this period amounted to \$5,846,000, an increase of \$1,800,000 or 38.1 cents per share compared with 26.5 cents in the first six months of last year.

We anticipate a continuation of strong retail sales and we are confident that 1972, our Centennial Year, will be the best year in Simpsons history.

Our retail expansion continues at a brisk pace with new stores just opened in Ottawa and Brampton, Ontario. Simpsons and Simpsons-Sears have more stores planned to open across Canada in the next five years than any similar period in the history of our Companies.



Chairman of the Board

August 8, 1972

Net sales-----	
Rentals and other income-----	
Net Earnings from operations, before income taxes----	
Federal and provincial income taxes -----	
Equity in net earnings of Simpsons-Sears Limited:	
Dividends received -----	
Equity in undistributed net earnings -----	
Gain on sale of investment, net of income taxes -----	
Net earnings -----	
Net earnings per share -----	
Net earnings per share, excluding gain on sale of investme	

CONSOLIDATED STATEMENT OF SOU

SOURCE OF FUNDS:

From operations:	
Net earnings -----	
Provision for depreciation -----	
Write-off on departmental improvements -----	
Amortization of debenture discount and expense -----	
Equity in undistributed net earnings of Simpsons-Se	
Non-current accounts receivable -----	
Common shares issued under Employees' Stock Option	
Proceeds from sale of debentures -----	
Investments and advances -----	
Net book value of fixed assets disposals -----	

APPLICATION OF FUNDS:

Additions to fixed assets -----	
Expenditures on departmental improvements -----	
Investments and advances -----	
Sinking Fund requirements on debentures -----	
Dividends on common shares -----	
Decrease in working capital -----	
Working capital at beginning of period-----	
Working capital at end of period -----	

Subject to year-end audit and adjustments

SIDIARY COMPANIES

STATEMENT OF EARNINGS

Six months ended

	<i>July 5, 1972</i>	<i>July 7, 1971</i>
-----	\$164,565,619	\$142,052,418
-----	1,223,558	1,389,420
-----	5,506,881	3,676,801
-----	2,676,325	1,948,700
-----	1,625,684	1,584,000
-----	1,389,406	733,377
-----	1,399,542	—
-----	7,245,188	4,045,478
-----	47.3 cents	26.5 cents
-----	38.1 cents	26.5 cents

AND APPLICATION OF FUNDS

Six months ended

	<i>July 5, 1972</i>	<i>July 7, 1971</i>
-----	\$ 7,245,188	\$ 4,045,478
-----	1,899,904	1,837,491
-----	1,448,961	1,337,875
-----	27,030	23,180
imited -----	(1,389,406)	(733,377)
	<u>9,231,677</u>	<u>6,510,647</u>
-----	122,589	65,435
s -----	565,193	317,112
-----	9,766,598	—
-----	103,664	—
-----	13,908	113,271
	<u>19,803,629</u>	<u>7,006,465</u>
-----	3,004,083	2,312,990
-----	936,138	2,156,952
-----	15,247,356	1,400,000
-----	—	28,000
-----	3,449,750	3,050,718
	<u>22,637,327</u>	<u>8,948,660</u>
-----	2,833,698	1,942,195
-----	102,955,539	104,989,549
-----	<u>\$100,121,841</u>	<u>\$103,047,354</u>

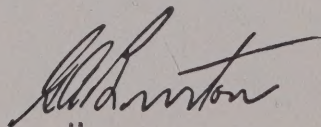
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Chairman of the Board

August 8, 1972

DIRECTORS

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WILLIAM P. SCOTT, LL.D.	CHARLES B. STEWART
JAMES M. TORY, Q.C.	WILLIAM P. WILDER

OFFICERS

G. ALLAN BURTON, D.S.O., E.D. <i>Chairman of the Board and Chief Executive Officer</i>
CHARLES B. STEWART <i>President</i>
WILLIAM P. SCOTT, LL.D. <i>Vice-President</i>
ROBERT C. GIBSON <i>Executive Vice-President, Administration</i>
WILLIAM D. ALLPORT <i>Vice-President and Comptroller</i>
JAMES S. BRYANT <i>Vice-President, Montreal Area</i>
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A. ERNEST WILKES <i>Vice-President and Treasurer</i>
IAN M. GIBSON <i>Assistant Treasurer</i>
RONALD L. RADLEY <i>Assistant Secretary</i>

highlights

	1972	1971
Net sales	\$392,888,558	\$335,197,426
Dividends from Simpsons-Sears Limited	3,293,052	3,168,000
Equity in undistributed net earnings of Simpsons-Sears Limited	7,659,435	4,774,230
Net earnings before non-recurring profit but including equity in undistributed net earnings of Simpsons-Sears Limited	22,937,528	17,230,969
Per share	1.50	1.13
Net earnings including non-recurring profit and equity in undistributed net earnings of Simpsons-Sears Limited	24,337,070	17,230,969
Per share	1.59	1.13
Dividends paid	7,292,138	6,106,444
Contributions to Simpsons Profit Sharing Retirement Fund and Canada and Quebec pension plans	2,900,899	2,450,860
Expenditures for fixed assets including departmental improvements	13,367,834	8,403,581
Provision for depreciation	3,873,035	3,722,581
Earnings per share are based on weighted average number of shares outstanding during the year.		





G. Allan Burton
Chairman of the Board

directors' report

TO THE SHAREHOLDERS:

Our 100th Year serving Canadians was an exciting and rewarding experience for customers, suppliers and staff alike. A powerful series of well planned company-wide Centennial events aided by strong consumer demand and an enthusiastic response from friends at home and abroad resulted in a record year of sales and profits.

Net sales increased by 17.2% to \$392,888,558 while earnings, including undistributed net earnings of Simpsons-Sears, increased 33% to \$22,937,528 or \$1.50 per share. When a non-recurring profit on sale of an investment in another company of \$1,399,542 or 9¢ per share is included, net earnings for 1972 were \$24,337,070 or \$1.59 per share. In mid-year the dividend rate was increased to 50¢ per share which brought the amount paid for the year to \$7,292,138.

The Company in 1972 contributed, in accordance with the provisions of the Plan of Simpsons Profit Sharing Retirement Fund, the maximum 10% of profits before taxes, or \$2,900,899 divided \$1,897,725 to Simpsons Profit Sharing Retirement Fund members' accounts and \$1,003,174 to compulsory government pension plans for Simpsons employees. Members of the Fund now own 7.5% of the outstanding shares of Simpsons, Limited.

During the year Simpsons Acceptance Company Limited raised an additional \$25,000,000 by the issue of 8³/₈% Secured Debentures Series F and G. Proceeds of both issues were used to reduce current indebtedness incurred in the ordinary course of business.

In April 1972 your Company purchased 250,000 shares, or 15%, of Peel-Elder Limited for \$5,000,000. This company owns a number of shopping centres including Shoppers' World, Brampton, Ontario in which your company opened a new 95,000 square foot store last August. We expect to open further stores in the near future in connection with Peel-Elder's developments. In July we opened our first Simpsons store in Ottawa, Ontario in premises on Sparks Street formerly occupied by the eighty year old firm of Murphy-Gamble Limited. We have plans to open two new stores in Ottawa before 1975. In May 1973 a 172,000 square foot store will be opened in Scarborough Town Centre in the eastern section of Metropolitan Toronto, followed in August by an 88,000 square foot store in Micmac Shopping Centre in Dartmouth, Nova Scotia. We have a one-third share interest in this centre. New and expanded service facilities are planned for the Halifax area adjoining our Chebucto Road store. Plans have been completed for a new Simpsons store of 120,000 square feet to open in Le Carrefour Laval in north Montreal in 1974. Further formal announcements of expansion in the Montreal area will be made in the very near future.

An important new distribution centre for the Toronto area will be under construction this year on a 33 acre plot of land in Scarborough purchased for this purpose in 1972.

Capital expenditures in 1972 amounted to \$13,400,000. It is anticipated that about \$11,000,000 will be used for capital purposes in 1973.

An important development during the year was the announcement of a change in the philosophy of Simpsons-Sears Limited, Simpsons, Limited and Sears, Roebuck and Co. in regard to the agreement made in 1952

affecting the locations of new stores. This change provides that, by mutual agreement, any city in Canada may be served by either a Simpsons-Sears or a Simpsons store or both, as appropriate. A new and exciting phase in development for both companies is anticipated as a result of this decision.

Simpsons-Sears Limited issued rights in May, 1972 to all holders of its Class A, Class B and Class C shares. Your Company invested \$10,247,356 in the purchase of an additional 347,368 Class B shares. Sears, Roebuck and Co. purchased a similar amount of Class C shares to maintain the voting rights on a fifty-fifty basis between the two companies. As Simpsons-Sears Limited is the most important single investment of Simpsons, Limited, the last few pages of this Report are devoted to the growth and accomplishments of that company.

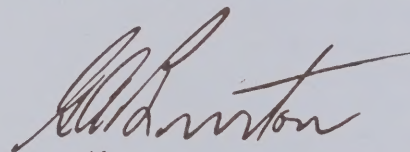
On January 1, 1973 Ronald J. Crichton was appointed Vice-President, Customer Service Operations. Mr. Crichton, formerly General Operating Superintendent for the Toronto area, is well qualified to assume this newly

created position which emphasizes the continuing importance your Company places on the best possible service to our customers.

Robert C. Gibson, Executive Vice-President, Administration, is retiring on July 1, 1973 after forty years of the most outstanding service to the Company and twelve years as a member of the Board of Directors. His devotion to the Company and his sage advice to the Board have contributed greatly to the success we have achieved through the years.

Your Directors wish to thank all who helped us make our 100th Year so memorable and assure our shareholders that your Company's future growth never looked brighter.

On behalf of the Board

A handwritten signature in dark ink, appearing to read "R. J. Crichton", written in a cursive style.

Chairman of the Board
March 16, 1973



Charles B. Stewart
President

president's report

The effective combination of inspired and creative planning for our Centennial Year, together with our sound knowledge of how best to utilize our merchandising and promotional expertise, our facilities and our resources, resulted in the Company's greatest year of growth since our beginning one hundred years ago. Sales for the year were \$392,888,558 — an increase of \$57,691,132 or 17.2% over year earlier volume.

Centennial Year weekly volume increases, coupled with the mid-year opening of new stores in Brampton and Ottawa and significant on-going improvements to other facilities, provided a great opportunity for Simpsons people to refine and strengthen their skills — to broaden their capabilities, while at the same time raising their sights and challenging their attitudes to the opportunities that lie ahead.

We expect continued strong growth throughout 1973 — we are sure the strategy we have planned to this end will be just as effective in achieving our goals as were the programmes developed and implemented during Centennial Year 1972.

Our plans for the future are exciting, to say the least. The key to our successful growth over the years has been our ability to attract and retain good people, early identification of management potential, and a sound systematic plan of management development. The predictable requirement of supervisory personnel for new stores and facilities over the next five years will be approximately 1,000. However, having filled 225 operating and buying positions with competent, well-trained people during 1972 alone, we are

heartened not only by the great strengths of the human resources we possess, but also by our capability to prepare them for the job ahead.

Much of what makes a company successful lies in the fundamental concepts which animate and guide individuals at all levels of the organization — which heighten the intensity of their efforts in the pursuit of Company objectives. Our Centennial Year Programmes evoked in Simpsons people very high levels of dedication, pride in their Company and in individual contribution — a vital spirit that will continue day-in, day-out, as our most potent force in meeting the challenges of the future.

We look back on a year of progress and achievement — a year of special programmes which won the respect of customers and suppliers alike. To our suppliers and to the thousands of loyal Simpsons employees who made it all happen, I extend sincere commendations and grateful thanks.



President



SIMPSONSONS, LIMITED and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS

	FISCAL YEAR ENDED	
	January 3, 1973	January 5, 1972
Net sales	\$392,888,558	\$335,197,426
Equity in net earnings of Simpsons-Sears Limited:		
Dividends received	3,293,052	3,168,000
Equity in undistributed net earnings	7,659,435	4,774,230
Rentals and other income	2,756,728	2,988,705
	406,597,773	346,128,361
Deduct:		
Cost of merchandise sold and all expenses, except the items shown below	350,339,543	299,562,017
Provision for depreciation	3,873,035	3,722,581
Interest on debentures, including amortization of discount and expense	7,295,260	6,704,294
Other interest	1,198,482	848,421
Municipal realty and business taxes	7,223,026	6,719,219
Contribution to Simpsons Profit Sharing		
Retirement Fund	1,897,725	1,543,076
Contributions to Canada and Quebec pension plans	1,003,174	907,784
	372,830,245	320,007,392
Earnings before income taxes and extraordinary item	33,767,528	26,120,969
Provision for income taxes	10,830,000	8,890,000
Earnings before extraordinary item	22,937,528	17,230,969
Non-recurring profit (Note 3)	1,399,542	—
NET EARNINGS FOR THE FISCAL YEAR	\$ 24,337,070	\$ 17,230,969
Earnings per share before extraordinary item	\$1.50	\$1.13
Net earnings per share	\$1.59	\$1.13

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	FISCAL YEAR ENDED	
	January 3, 1973	January 5, 1972
Balance at beginning of year	\$144,051,595	\$132,348,902
Net earnings for the fiscal year	24,337,070	17,230,969
Increase in equity in Simpsons-Sears Limited on issue by that company of additional Class A shares (Note 1)	545,933	578,168
	168,934,598	150,158,039
Dividends on common shares (1972—47½ cents per share; 1971—40 cents per share)	7,292,138	6,106,444
Balance at end of year	\$161,642,460	\$144,051,595



SIMPSONSON, LIMITED and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

ASSETS

AT THE FISCAL YEAR-END

	January 3, 1973	January 5, 1972
CURRENT ASSETS:		
Cash	\$ 1,851,094	\$ 1,185,931
Government of Canada Bonds, at cost	44,772	44,772
Accounts receivable (Note 2)	125,079,455	111,634,022
Inventories valued at the lower of approximate cost and realizable value	61,121,191	49,114,771
Prepaid expenses	2,474,932	2,187,732
	<u>190,571,444</u>	<u>164,167,228</u>
 INVESTMENTS AND OTHER ASSETS:		
Simpsons-Sears Limited (Note 1)	90,547,636	72,094,912
Other investments, at cost, and advances (Note 3)	10,134,974	4,715,171
Accounts receivable (Note 2)	2,562,530	2,907,092
	<u>103,245,140</u>	<u>79,717,175</u>
 FIXED ASSETS:		
Land and buildings as appraised in 1952 with subsequent additions at cost	109,345,956	100,553,847
Equipment and fixtures, at cost	37,137,369	35,654,773
	<u>146,483,325</u>	<u>136,208,620</u>
Less—Accumulated depreciation	41,599,385	38,276,473
	<u>104,883,940</u>	<u>97,932,147</u>
Departmental improvements, at cost less amounts written off	13,613,758	14,173,816
	<u>118,497,698</u>	<u>112,105,963</u>
 UNAMORTIZED DEBENTURE DISCOUNT AND EXPENSE	1,488,265	1,058,921
	<u>\$413,802,547</u>	<u>\$357,049,287</u>

LIABILITIES

AT THE FISCAL YEAR-END

	January 3, 1973	January 5, 1972
CURRENT LIABILITIES:		
Demand and short term notes	\$ 25,500,000	\$ 16,577,000
Accounts payable	29,201,242	21,881,229
Accrued wages, rent, interest, etc.	10,682,686	8,696,764
Customers' deposit accounts	1,105,541	1,167,899
Income and other taxes	6,947,875	5,009,721
Contribution payable to Simpsons Profit Sharing Retirement Fund	1,897,725	1,393,076
Principal payments on long term debt due within one year	8,000	6,486,000
	<u>75,343,069</u>	<u>61,211,689</u>
LONG TERM DEBT (Note 4)	118,487,000	95,084,000
DEFERRED INCOME TAXES	9,360,000	8,920,000
	<u>203,190,069</u>	<u>165,215,689</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK:

Common shares (Note 5)— Authorized—20,000,000 shares without nominal or par value Issued—15,385,411 shares (January 5, 1972—15,310,373 shares)	32,115,393	30,927,378
RETAINED EARNINGS	161,642,460	144,051,595
APPRAISED VALUE OF LAND AND BUILDINGS IN EXCESS OF DEPRECIATED BOOK VALUE ON JULY 31, 1952	16,854,625	16,854,625
	<u>210,612,478</u>	<u>191,833,598</u>
	<u>\$413,802,547</u>	<u>\$357,049,287</u>

APPROVED ON BEHALF OF THE BOARD

G. A. Burton
Director

W. P. Scott
Director



SIMPSON'S, LIMITED and Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	FISCAL YEAR ENDED	
	January 3, 1973	January 5, 1972
SOURCE OF FUNDS:		
From current operations:		
Net earnings	\$ 24,337,070	\$ 17,230,969
Provision for depreciation	3,873,035	3,722,581
Write-off on departmental improvements	2,970,436	2,845,288
Amortization of debenture discount and expense	100,023	99,808
Deferred income taxes	440,000	930,000
Equity in undistributed net earnings of Simpsons-Sears Limited	(7,659,435)	(4,774,230)
	<u>24,061,129</u>	<u>20,054,416</u>
Non-current accounts receivable	344,562	2,226,946
Common shares issued (Note 5)	1,188,015	1,028,996
Net book value of fixed assets disposals	132,628	153,833
Proceeds from sale of debentures	24,470,633	—
	<u>50,196,967</u>	<u>23,464,191</u>
APPLICATION OF FUNDS:		
Additions to fixed assets	10,957,456	4,777,820
Expenditures on departmental improvements	2,410,378	3,625,761
Additional investment in Simpsons-Sears Limited shares	10,247,356	—
Other investments and advances	5,419,803	3,576,176
Retirement of long term debt	1,597,000	7,412,000
Dividends on common shares	7,292,138	6,106,444
	<u>37,924,131</u>	<u>25,498,201</u>
Increase (decrease) in working capital	12,272,836	(2,034,010)
Working capital at beginning of year	102,955,539	104,989,549
Working capital at end of year	<u>\$115,228,375</u>	<u>\$102,955,539</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of all subsidiaries.

The investment in Simpsons-Sears Limited, Class B shares, representing 50% of the voting shares of the company, is stated at cost plus the increase in Simpsons, Limited equity since the formation of that company. The other 50% of the voting shares of Simpsons-Sears Limited, Class C shares, is owned by Sears, Roebuck and Co. while the non-voting Class A shares are owned by other shareholders. The issue of additional Class A shares by Simpsons-Sears Limited at an amount per share in excess of book value increases Simpsons, Limited equity in Simpsons-Sears Limited. Such increases are credited to retained earnings.

2. ACCOUNTS RECEIVABLE:

	January 3, 1973	January 5, 1972
Customer instalment accounts	\$ 98,792,446	\$ 89,580,816
Charge and other customer accounts	31,901,135	27,700,708
Miscellaneous accounts	2,139,309	1,924,238
	<u>132,832,890</u>	<u>119,205,762</u>
Less allowance for doubtful accounts	5,190,905	4,664,648
	<u>127,641,985</u>	<u>114,541,114</u>
Non-current accounts receivable	2,562,530	2,907,092
	<u>\$125,079,455</u>	<u>\$111,634,022</u>

In accordance with recognized trade practices, instalment accounts receivable include amounts which will not become due within one year. However, other accounts receivable not expected to be collected within one year, arising from large scale contracts of the Contract Division, have been classified as non-current accounts receivable. For the most part the Contract Division is engaged in furnishing and equipping institutional and commercial premises.

3. OTHER INVESTMENTS AND ADVANCES:

	January 3, 1973	January 5, 1972
Shares in public companies (quoted market value January 3, 1973 — \$12,394,000; January 5, 1972 — \$5,734,000)	\$ 6,973,442	\$ 2,072,750
Shares in and advances to partly-owned shopping centre companies	2,847,387	2,326,176
Miscellaneous	314,145	316,245
	<u>\$ 10,134,974</u>	<u>\$ 4,715,171</u>

On the sale in 1972 of part of the investment in shares of a public company Simpsons, Limited realized a profit of \$1,399,542 after applicable income taxes of \$63,650.



SIMPSONS, LIMITED and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. LONG TERM DEBT:

	January 3, 1973	January 5, 1972
Simpsons, Limited —		
4¾% Debentures Series A due January 1, 1973	\$ —	\$ 6,478,000
5% Debentures Series B due December 1, 1976	120,000	129,000
5½% Debentures Series C due September 15, 1979	94,000	96,000
5¾% Debentures Series D due February 1, 1984	9,499,000	10,000,000
5¾% Debentures Series E due July 15, 1985	11,875,000	12,500,000
6½% Debentures Series F due March 15, 1987	11,907,000	12,367,000
9½% Debentures Series G due December 15, 1989	15,000,000	15,000,000
	<u>48,495,000</u>	<u>56,570,000</u>
Less principal payments due within one year	8,000	6,486,000
	<u>48,487,000</u>	<u>50,084,000</u>
Simpsons Acceptance Company Limited —		
6% Secured Debentures Series B due May 15, 1981	15,000,000	15,000,000
5½% Secured Debentures Series C due June 15, 1982	10,000,000	10,000,000
5¾% Secured Debentures Series D due April 1, 1984	10,000,000	10,000,000
6¾% Secured Debentures Series E due June 15, 1986	10,000,000	10,000,000
8¾% Secured Debentures Series F due March 15, 1992	10,000,000	—
8¾% Secured Debentures Series G due December 15, 1992	15,000,000	—
	<u>70,000,000</u>	<u>45,000,000</u>
	<u>\$118,487,000</u>	<u>\$ 95,084,000</u>

Principal payments required subsequent to January 3, 1973 for the fiscal years shown are as follows:
1973 — \$8,000; 1974 — \$759,000; 1975 — \$2,539,000; 1976 — \$2,720,000; 1977 — \$2,631,000.

5. CAPITAL STOCK: Under the terms of the Employees' Stock Option Plans, approved by the shareholders in 1957 and 1965, 73,438 common shares were issued during the fiscal year ended January 3, 1973 for \$1,142,543. The Employees' Stock Option Plans provide that the option price shall be the market price of the shares on the day immediately preceding the date of grant and that the options may not be exercised later than ten years from date of grant. Outstanding options at January 3, 1973 were as follows:

Date options granted	Option price per share	Officer directors and other officers	Other employees	Total
1965 plan:				
April 1965	\$14.00	14,166	44,392	58,558
January 1969	16.625	24,700	150,247	174,947
March 1969	17.625	34,852	1,662	36,514
February 1971	18.625	25,000	—	25,000
		<u>98,718</u>	<u>196,301</u>	<u>295,019</u>

Exercise of these options would not have had a material effect on earnings per share. In addition to common shares issued under the Employees' Stock Option Plans, 1,600 common shares were issued to employees, and recorded at the market value of \$45,472, as awards for outstanding service during the Centennial Year programme.

6. COMMITMENTS AND CONTINGENT LIABILITIES:

(a) The unfunded obligation for past service on the non-contributory pension plan, estimated by independent actuaries to be approximately \$12,000,000 at January 3, 1973, is to be amortized by annual payments through 1989.

(b) Annual rentals under long term leases amount to approximately \$3,200,000.

(c) Simpsons, Limited has guaranteed \$3,850,000 of a note payable by Les Galeries d'Anjou Limitée, a 50% owned shopping centre company. An equal amount of the note payable has been guaranteed by the other 50% owner of the company.

(d) Simpsons, Limited and Hudson's Bay Company, part owners of Woodbine-Sheppard Shopping Centre Limited, have jointly and severally agreed to meet all payments of interest and principal on its \$17,409,000 principal amount of Bonds. Cemp Investments Ltd., the other part owner of the company, has agreed to make available 50% of all funds which Simpsons, Limited and Hudson's Bay Company may be called upon to provide under their agreements.

7. CAPITAL EXPENDITURES: Capital expenditures for the completion of construction in progress, and other authorized and proposed major additions to fixed assets, are estimated at \$37,000,000. Of this amount it is estimated that \$11,000,000 will be expended in the fiscal year ending January 2, 1974, and the balance in subsequent fiscal years.

8. REMUNERATION OF DIRECTORS AND OFFICERS: For the fiscal year ended January 3, 1973 nine directors, one of whom retired during the year, received an aggregate remuneration of \$55,794, the remaining six directors received no remuneration as directors. The remuneration of fifteen officers, six of whom are also directors and one of whom is a past officer, amounted to \$1,184,026. The total remuneration of directors and officers is paid by The Robert Simpson Company Limited, a subsidiary of Simpsons, Limited, and partly distributed to other operating subsidiaries.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SIMPSONS, LIMITED:

We have examined the consolidated balance sheet of Simpsons, Limited and subsidiary companies as at January 3, 1973 and the consolidated statements of earnings, retained earnings and source and application of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 3, 1973 and the results of their operations and the source and application of their funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, March 9, 1973

PRICE WATERHOUSE & CO.
Chartered Accountants



SIMPSONS, LIMITED and Subsidiary Companies

TEN YEARS IN REVIEW

	1972	1971	1970
OPERATING RESULTS			
Net sales	\$392,888,558	\$335,197,426	\$302,534,874
Dividends from Simpsons-Sears Limited	3,293,052	3,168,000	3,168,000
Equity in undistributed net earnings of Simpsons-Sears Limited	7,659,435	4,774,230	1,992,552
Provision for depreciation	3,873,035	3,722,581	3,336,265
Interest charges	8,493,742	7,552,715	7,515,379
Income taxes	10,830,000	8,890,000	8,410,000
Net earnings	22,937,528*	17,230,969	12,479,209
Dividends paid	7,292,138	6,106,444	6,095,074

FINANCIAL POSITION

Working capital	115,228,375	102,955,539	104,989,549
Land, buildings and equipment (after depreciation)	104,883,940	97,932,147	97,030,741
Total assets	413,802,547	357,049,287	335,799,978
Funded debt	118,487,000	95,084,000	102,496,000
Shareholders' equity	210,612,478	191,833,598	179,101,909

PER COMMON SHARE

Net earnings per share on weighted average number of shares outstanding during the year	1.50*	1.13	.82
Dividends paid per share	.47¹/₂	.40	.40

RATIOS AND STATISTICS

Ratio of current assets to current liabilities	2.5-1	2.7-1	3.3-1
Number of shares issued	15,385,411	15,310,373	15,242,150
Number of shareholders	11,553	10,995	10,887
Price range per common share	31-22¹/₂	22 ¹ / ₂ -17 ³ / ₄	21 ¹ / ₄ -13 ⁵ / ₈

*Excluding non-recurring profit

†53 weeks

1969	1968†	1967	1966	1965	1964	1963†
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\$300,579,346	\$276,302,827	\$259,445,891	\$248,021,913	\$231,714,746	\$211,981,806	\$193,015,196
3,036,000	2,574,000	2,088,000	1,800,000	1,800,000	1,600,000	1,300,000
3,474,896	3,635,589	3,456,740	2,657,900	2,102,660	2,107,731	2,020,034
3,080,689	2,598,643	2,331,353	2,197,697	2,004,442	1,973,130	1,660,619
7,105,648	6,647,231	6,235,835	5,891,653	4,831,385	4,338,856	3,768,791
9,570,000	9,090,000	8,650,000	7,750,000	7,300,000	5,900,000	4,800,000
14,669,016*	14,034,551*	13,585,339*	11,728,918	10,709,752	9,129,548	8,176,304
6,041,175	4,801,508	4,470,574	4,272,045	3,794,394	3,361,151	2,938,941

111,647,548	93,981,738	94,278,665	84,843,014	79,419,633	75,310,330	53,435,481
89,363,924	86,744,541	80,045,635	71,872,767	66,846,423	61,454,123	60,838,686
323,483,636	310,751,139	285,855,277	266,027,886	245,977,150	219,131,161	203,417,473
105,455,700	94,108,000	95,874,000	82,595,000	81,785,000	71,920,000	53,702,000
171,325,548	159,230,244	145,529,756	133,728,292	117,370,001	108,654,860	102,644,239

.98*	.94*	.91*	.83	.77	.66	.62
.40	.32	.30	.30	.27 ¹ / ₄	.24 ³ / ₈	.22 ¹ / ₂

3.8-1	2.8-1	3.3-1	2.8-1	2.8-1	3.1-1	2.2-1
15,226,486	15,027,576	14,983,004	14,868,410	14,005,934	13,827,540	13,725,828
10,426	8,829	8,862	9,027	8,357	7,529	6,124
23 ³ / ₈ -16 ¹ / ₂	20 ¹ / ₄ -15 ¹ / ₈	18-12 ³ / ₄	15 ³ / ₄ -12 ⁷ / ₈	15 ¹ / ₄ -12 ⁷ / ₈	14 ³ / ₄ -9 ³ / ₈	9 ¹ / ₂ -7 ¹ / ₂



SIMPSONS

1972 — Centennial Year

Centennial Year is now but part of our long and distinguished history. The emblem, the standard, the publicity, mementoes and citations are now lodged in a place of honour in our Corporate Archives where they remain proud symbols of a year of outstanding achievement by Simpsons people.

Centennial Year, in retrospect, was in fact a narrative about people and their accomplishment. Some of our people, by virtue of their unusual creative and innovative capability, played a particularly vital role; others, all of them, contributed in a most significant way; and it is the sum and total of the efforts of the entire Simpsons staff from near and far that is the real substance of our Centennial story.

But there were others without whom Centennial Year successes could not have been achieved — our hundreds of thousands of customers — their response to our

merchandise offerings and our entertaining special events, now thoroughly analyzed and recorded, will provide the basis of many important merchandising and promotional decisions for years to come — a distinct advantage to Simpsons and its thousands of loyal suppliers as together we search for even greater excellence in merchandise offerings and services.

The past, present and future were richly intermingled during the past year of celebration. We recalled with just admiration the impressive growth of our Company over the past one hundred years — we rejoiced over each day-to-day Centennial Year success — all the while planning to make the most of the bright opportunities that lie ahead of us. We are better ready for tomorrow because of what we did yesterday.

SIMPSONS-SEARS LIMITED

...Simpsons largest investment

In 1952, when Simpsons total sales were \$200,000,000 and the Mail Order Division sales about half of that amount or \$100,000,000, Sears, Roebuck and Co. of Chicago and Simpsons, Limited agreed to form a new company to be known as Simpsons-Sears Limited. This new company, in which Simpsons and Sears each acquired fifty per cent of the voting shares, purchased the mail order business and appropriate assets from Simpsons. The Agreement provided that Simpsons-Sears would carry on the mail order business of Simpsons and establish Sears, Roebuck type retail stores across Canada, with exception of the five cities where Simpsons stores were then located, namely Toronto, Montreal, Halifax, Regina and London.

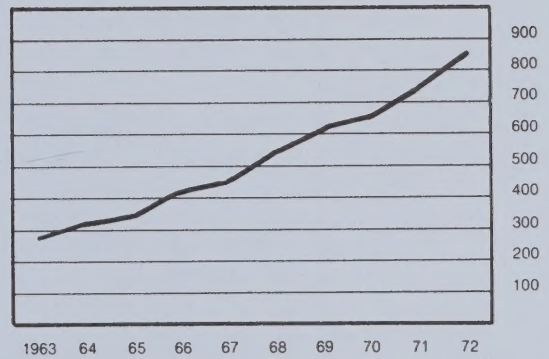
Twenty years later in 1972 Simpsons-Sears has grown to 43 full retail stores, with three more to open in 1973, four catalogue centres and 575 sales offices, producing sales of \$894,066,000.

Earnings of Simpsons-Sears Limited in 1972 were \$26,252,000 or \$1.61 per share compared with \$18,951,000 or \$1.21 per share a year earlier. Dividends totalling 48¢ per share were paid during the year and Simpsons, Limited, based on its holdings, received \$3,293,052. In addition, the interest of Simpsons in the undistributed net earnings of Simpsons-Sears, amounted to \$7,659,435 for the year.

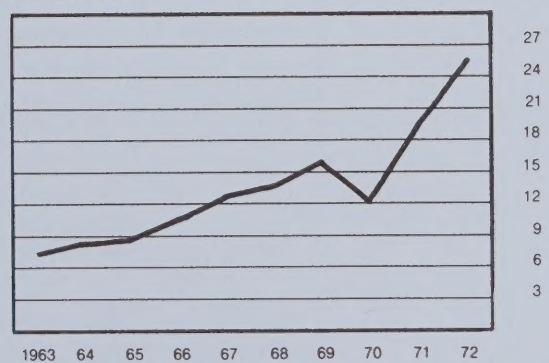
On the opposite page is shown in graph form the spectacular growth of Simpsons-Sears in sales, earnings and shareholders' equity over the past ten years and photographs of the new Simpsons-Sears Headquarters Building in Toronto which was opened in 1971.



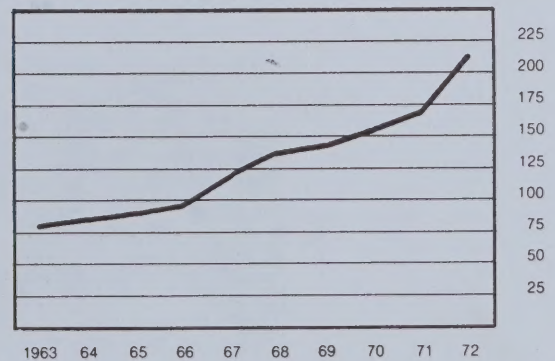
Sales
millions of dollars



Earnings
millions of dollars



Shareholders' Equity
millions of dollars (book value)



SIMPSON'S-SEARS LIMITED and Consolidated Subsidiary Companies

highlights

	1972	1971
Net sales	\$894,066,000	\$765,778,000
Net earnings	26,252,000	18,951,000
Per share	1.61	1.21
Dividends declared	7,991,000	7,562,000
Per share	.48	.48
Shareholders' equity (book value end of year)	215,153,000	170,283,000
Per share	12.91	10.83
Municipal realty and business taxes	8,365,000	6,946,000
Federal and provincial income taxes	23,695,000	19,385,000
Provision for depreciation	12,422,000	11,125,000
Contributions to Simpsons-Sears Profit Sharing Retirement Fund and Canada and Quebec pension plans	5,550,000	4,403,000
Expenditures for fixed assets	34,547,000	29,525,000
Earnings per share are based on weighted average number of shares outstanding during the year.		



Simpsons department stores (16)

Toronto area

DOWNTOWN
YORKDALE
CEDARBRAE
FAIRVIEW
SHERWAY
SHOPPERS' WORLD—BRAMPTON
SCARBOROUGH
opening in May, 1973

Montreal area

DOWNTOWN
FAIRVIEW-POINTE CLAIRE
LES GALERIES D'ANJOU
LE CARREFOUR LAVAL
opening in 1974

Regina

DOWNTOWN

Halifax area

CHEBUCTO ROAD
MICMAC—DARTMOUTH
opening in August, 1973

London

DOWNTOWN

Ottawa

DOWNTOWN

Simpsons-Sears retail stores (46)

Barrie, Ontario*
Belleville, Ontario
Burlington, Ontario
Burnaby, British Columbia
Calgary, Alberta (2)
Chicoutimi, Quebec
Dundas, Ontario
Edmonton, Alberta (3)
Fredericton, New Brunswick
Guelph, Ontario
Hamilton, Ontario
Kamloops, British Columbia
Kelowna, British Columbia
Kingston, Ontario
Kitchener, Ontario
Lethbridge, Alberta
Mississauga, Ontario*
Moncton, New Brunswick
Moose Jaw, Saskatchewan
Nanaimo, British Columbia
Oshawa, Ontario
Ottawa, Ontario (3)
Peterborough, Ontario
Prince Albert, Saskatchewan
Quebec City, Quebec (2)
Richmond, British Columbia
Saint John, New Brunswick
Sarnia, Ontario
Saskatoon, Saskatchewan
Sault Ste. Marie, Ontario
Sherbrooke, Quebec*
St. Catharines, Ontario
St. John's, Newfoundland
Thunder Bay, Ontario
Trois Rivières, Quebec
Vancouver, British Columbia
Victoria, British Columbia
Windsor, Ontario
Winnipeg, Manitoba (2)
*Opening 1973

